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ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

April 23, 2004

Joan Peterson, Ph.D., Project Officer  
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Dear Joan:

The following are the responses to your April 7, 2004 questions on the Employer Sponsored Insurance Pilot proposal. We also noted that CMS is suggesting that the state refer to the families in the pilot as "HIFA II eligible families". We have made that change and other corrections noted below in the new attached document dated April 23, 2004.

**CMS QUESTIONS**

**Enrollment/Disenrollment**

1. *Approximately how many individuals does AHCCCS estimate will enroll in the pilot? Does this include both employees and dependents?*

**RESPONSE:** Since this is a new endeavor for the state, we do not know how employers or employees will respond to this option. Considering the experience in other states, we do expect enrollment to be low.

2. *As part of the optional enrollment process, what steps will be taken to ensure that the families are making an "informed choice" between ESI and direct coverage through Medicaid, KidsCare, or non-ESI HIFA?*

**RESPONSE:** We will create a side-by-side worksheet for the customer to use to compare costs and services so the customer can make an informed choice.

3. *On pages 3 and 4, the proposal lists several circumstances under which families can return to direct coverage and disenroll from the ESI pilot (i.e., exceptions to the 12-month lock-in). What about situations in which the family realizes it would be better off in direct coverage, by virtue of having more benefits and lower cost sharing? Will they be allowed to disenroll prior to 12 months and re-enroll in direct coverage, if eligible?*

**RESPONSE:** Arizona law requires that persons who apply for the HIFA program be subject to a three-month bare period before they are eligible. This requirement applies to applicants terminating from the ESI pilot program just as it would to any other applicant.

4. *Shouldn't the fourth exception to the 12-month lock-in (page 4 of the proposal) read, "The person no longer lives or works in the pilot county?" Also, shouldn't the reasons that "Persons will be disenrolled from the ESI pilot" include "The ESI program is no longer an available option under AHCCCS"?*

**RESPONSE:** It should read "no longer works" since we will allow people who are participating in ESI and move across the county line, but still work for the same employer in Yuma or Yavapai, to remain in ESI. The second statement was added to the proposal.

5. *AHCCCS proposes to disenroll persons from the ESI pilot for failure "to provide quarterly verification of employer coverage" (page 4). Does AHCCCS also plan to verify that the participant is still employed with the employer, and that the subsidy money is being used by the participant for health insurance premiums?*

**RESPONSE:** Every six months, AHCCCS will verify employment and active participation in the employer's health insurance coverage. As long as proof of coverage is provided the individual is eligible for the subsidy in the amount of their costs.

#### Cost Sharing

6. *Will ESI participants be expected to pay the entire employer premium prior to being reimbursed by AHCCCS for the portion not paid by the employer? If so, how much of a time lag will there be between these two steps?*

**RESPONSE:** ESI participants are not required to pay the employers' portion of health care insurance. As discussed in the ESI proposal, ESI participants will pay the employee portion of the insurance and then be reimbursed by AHCCCS for the amount of the employee payment. Once enrollment begins, a check for the amount of the subsidy will be mailed at the beginning of the month for that month.

7. *Why does the requirement that ESI enrollees be required to submit pay stubs or an attestation from their employer (page 4 of proposal) not apply to those who are covered under HCG?*

**RESPONSE:** Under HCG, the employer is enrolled and AHCCCS knows how many employees are covered or if there is a termination of coverage for a specific employee.

8. *Does the chart in Attachment B represent the cost to AHCCCS, as well as gross cost sharing savings to ESI participants?*

**RESPONSE:** The chart in Attachment B shows the amount that the family would have paid for AHCCCS premiums if the family had been enrolled in an AHCCCS health plan. As part of the evaluation, AHCCCS will be able to report the cost of the subsidies paid to each family enrolled in ESI. The "cost savings" to ESI participants cannot be predicted because we do not know what cost sharing measures are required under the employer's insurance plan.

9. *Will cost sharing be imposed on American Indians and Alaska Natives?*

**RESPONSE:** Native Americans will have the option to enroll in the ESI pilot and they will have the same cost sharing requirements as any other ESI participant electing to participate in the Pilot. The state will not impose a separate premium or copayment for ESI.

## Employers

10. *In contrast with the 2003 proposal (which was limited to small employers), will this pilot target all qualified employers in Yavapai and Yuma Counties, regardless of size?*

**RESPONSE:** Yes.

11. *How will employers be recruited for the pilot?*

**RESPONSE:** AHCCCS has identified one employee for the Pilot. This individual will contact employers in the pilot counties to solicit employee participation in the pilot.

12. *Has the State had any discussions with employers in these counties so far? If so, what has been their reaction?*

**RESPONSE:** AHCCCS is waiting for the legislature to authorize the continuation of the HIFA II program after June 30, 2004 and CMS to approve this proposal. Please see response to question 23. AHCCCS will begin contacting employers in the near future.

13. *How many of the employers in the designated counties offer both employee and dependent coverage?*

**RESPONSE:** We do not have this data.

14. *How many of these employers contribute at least 50 percent toward the cost of the premium for employee coverage and 30 percent toward the cost of the premium for dependent coverage?*

**RESPONSE:** We do not have this data but felt it critical to establish a minimum contribution.

## Provider Network

15. *Please provide more information on the Healthcare Group of Arizona (HCG). What are some of the key differences and/or similarities between HCG and the Accountable Health Plans (AHPs) that were part of the 2003 proposal?*

**RESPONSE:** Healthcare Group is administered by AHCCCS and offers health insurance to employers with one to 50 employees. Accountable Health Plans are regulated by the Department of Insurance and are not required to cover the self-employed. Please see Attachment 1 for a fact sheet on Healthcare Group.

## Funding

16. *Is AHCCCS still planning to set aside a certain amount of SCHIP funding for the ESI pilot, or will all funding for HIFA II be used for ESI and non-ESI families on a “first-come, first-covered” basis?*

**RESPONSE:** All funding for HIFA II will be used for ESI and non-ESI families on a “first-come, first-covered” basis.

17. *How much does AHCCCS estimate the pilot program will cost?*

**RESPONSE:** As indicated in the response to question number 1, we do not know how many employers or employees will respond to this option and, therefore, have not estimated how much the pilot will cost.

A cost effectiveness test will be made to ensure that the ESI option does not cost more than the non-ESI option. In addition, total HIFA II costs will be monitored to ensure that available funds are not exceeded.

18. *In the agreed-upon sequence for prioritizing the spending of title XXI funds in the HIFA amendment (see Term and Condition #24), no distinction is made between the SCHIP and Medicaid parents in HIFA II. However, how will AHCCCS be able to ensure that HIFA II parents of Medicaid children not participating in the ESI pilot are not given lower priority than HIFA II parents of SCHIP children participating in the pilot when it comes to access to coverage using title XXI funds?*

**RESPONSE:** Any future cap on the program will be administered prospectively on new enrollees.

#### Waiting Periods

19. *Why is AHCCCS proposing that the waiting period be waived by the employer rather than by the State (page 4 of proposal)?*

**RESPONSE:** Currently, there is no statutory authority that would require employers or insurers to make the ESI program a “qualifying event”. If the program is successful, the agency will report the results to the legislature and make a recommendation if the waiting period appears to be a barrier to persons who want to enroll in the ESI program. If the legislature agrees, there may be legislation to make this change.

20. *If an individual applies when there is no open enrollment period and the employer has not opted to waive the waiting period/define initial enrollment into ESI as a qualifying event, will the individual remain in direct coverage until the employer’s open enrollment period (or remain uninsured if not already enrolled in direct coverage)?*

**RESPONSE:** The family will be enrolled in KidsCare and the HIFA II parent group and then may opt into the employer’s insurance at the next open enrollment period.

#### Evaluation/Reporting Requirements

21. *Please clarify how you will assess cost-effectiveness. According to the second bullet on page 3 of the proposal, cost-effectiveness will be demonstrated on a case-by-case basis, comparing the cost to AHCCCS of subsidizing monthly ESI premiums versus the cost to AHCCCS of paying capitation. However, on page 4, the proposal states that the evaluation will consider aggregate costs for enrollees in the ESI program of private health insurance as opposed to the costs that would have been incurred if they had been enrolled in an AHCCCS health plan. Also, does this second scenario refer to the out-of-pocket costs for pilot participants, or to the costs for which AHCCCS is liable?*

**RESPONSE:** On page 3 of the proposal, AHCCCS described the first step in the screening process before enrollment into the ESI pilot. Before an applicant is enrolled into the pilot, AHCCCS will determine if the pilot is cost effective on a case-by-case basis, including the amount that the employer contributes for the employer’s health coverage. On page 4, AHCCCS is discussing the cost effectiveness measure of the success of the pilot program at the conclusion of the pilot. At that time, we will consider various factors, including the aggregate cost of the subsidies and the administrative costs for the pilot.

22. *What will AHCCCS be able to learn about ESI based on results from two rural counties?*

**RESPONSE:** AHCCCS will be able to determine if the ESI approach is cost effective, whether there is sufficient interest to enroll in an ESI program and any barriers to enrollment. Attachment 2 reflects the data that will be considered as part of the evaluation.

## **Other**

23. *If it becomes necessary to terminate the pilot as of July 1, 2005 because HIFA II does not get extended, what will happen operationally for AHCCCS, the pilot participants and the employers? How much lead time will be required to prepare for these changes?*

**RESPONSE:** We should know whether the HIFA II parent group will be extended sometime in May or June 2004. It appears likely that the legislature will authorize a one-year extension through June 30, 2005. Therefore, we will face the same situation next year. It is likely that we will know by May or June 2005 if the program will continue until June 30, 2006. If the HIFA II parent group is not extended, participants in the ESI pilot will not get a subsidy for their ESI coverage. If an individual is not eligible for any other AHCCCS program (e.g., 100% of FPL), the person must decide whether to pay the employee's share of the employer's insurance or be uninsured.

AHCCCS would like at least 60 days to inform ESI participants if the Pilot is going to be terminated, but we will work within the timeframes that the legislature gives us.

If you have any questions please contact me at (602) 417-4447.

Sincerely,

Lynn Dunton  
Assistant Director  
Office of Intergovernmental Relations